

**UNITED STATES BANKRUPTCY COURT
MIDDLE DISTRICT OF NORTH CAROLINA
WINSTON-SALEM DIVISION**

IN RE:

**ALEVO MANUFACTURING, INC., *et al.*,
DEBTORS.**

**CASE NO. 17-50877
(CONSOLIDATED FOR PURPOSES OF
ADMINISTRATION ONLY)
CHAPTER 11**

MOTION TO CONVERT CASES TO CHAPTER 7

NOW COME Alevo USA, Inc. and Alevo Manufacturing, Inc. (collectively, “Debtors”), by and through counsel, and move the Court to convert their chapter 11 cases to chapter 7 pursuant to § 1112 of the Bankruptcy Code and Rules 1017 and 1019 of the Federal Rules of Bankruptcy Procedure as follows:

1. On August 18, 2017 (the “Petition Date”), the Debtors each filed a voluntary petition for relief under chapter 11 of the Bankruptcy Code.
2. This Court has jurisdiction over this Motion under 28 U.S.C. §§ 157 and 1334. This matter is a core proceeding within the meaning of 28 U.S.C. § 157(b)(2)(A) and (N). Venue is proper in this district pursuant to 28 U.S.C. §§ 1408 and 1409.
3. During their cases, the Debtors have relied substantially upon post-petition financing in the amount of \$5.7 million from Bootsmead LeaseCo, LLC (the “Post-Petition Lender”) to continue scaled down operations. Alevo Manufacturing, Inc. (“Manufacturing”) worked from September 2017 through December 2017 to engage in remediation of batteries on site that contained sulfur dioxide as well as remediation of hazardous materials and chemicals used in the production process. The proper processing of the batteries was required before the waste from the remediation process could be removed from the premises at reasonable cost.

4. The Debtors also devoted significant time to efforts to sell their assets in a manner to achieve the best return to repay the Post-Petition Lender and creditors. Unfortunately, the financial problems experienced by the Debtors' parent companies in Switzerland made it very difficult for the intellectual property owned by the parent companies to be sold along with the Debtors' assets to achieve maximum value and possibly enable continued production in Concord, North Carolina.

5. An auction of the assets of Manufacturing was conducted by Hilco on January 31, 2018. A bidder has contracted to purchase substantially all of the assets of Manufacturing for \$5.0 million, and that sale is scheduled to close on February 20, 2018.

6. The assets of Alevo USA, Inc. ("USA") consist primarily of computers and the operating gridbank known as "Snook" which is located in Maryland and owned by a wholly owned subsidiary of USA. Snook continues to operate and will need to be sold.

7. All post-petition financing was utilized as of January 31, 2018 or shortly thereafter. Thus the few remaining employees, including Peter Heintzelman, the President, and Adam Ryan, the controller, are being paid through February 28, 2018 through reimbursement from Bootsmead LeaseCo, LLC, which is also the landlord of the Concord, North Carolina premises upon which the Debtors' fixed assets are located. The process of transitioning the premises leased by USA and preparing for an orderly conversion have been the focus of the Debtors and their counsel for the past two weeks.

8. At this time, the Debtors believe that conversion to chapter 7 is appropriate. The primary reasons for this conclusion are: (i) the amounts due the Post-Petition Lender, which will not be paid in full from the auction sale, (ii) significant chapter 11 administrative expense claims due to Bootsmead LeaseCo, LLC, as landlord, and (iii) potential section 503(b)(9) claims held by

pre-petition creditors. The Debtors believe that these factors make it extremely unlikely that a chapter 11 plan could be confirmed, and the costs of a chapter 11 case would be greater than the costs of a chapter 7 case.

9. The Debtors have, in previous hearings, made the Court fully aware of the factors supporting conversion, and the Debtors have discussed the proposed conversion with counsel for the Unsecured Creditors Committee of Manufacturing and the Bankruptcy Administrator, and both support conversion of the Debtors' cases to chapter 7.

WHEREFORE, the Debtors respectfully request entry of orders converting each of their cases to chapter 7, immediately appointing chapter 7 trustees and granting such other relief as the Court may deem necessary and proper.

Dated: February 12, 2018

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